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C O N F I D E N T I A L SECTION 01 OF 03 SHANGHAI 000212

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SUBJECT: SHANGHAI SCHOLARS ON CROSS-STRAIT RELATIONS

REF: BEIJING 2275; SHANGHAI 194; SHANGHAI 195; SHANGHAI 209

CLASSIFIED BY: Kenneth Jarrett, Consul General, U.S. Consulate General Shanghai, Department of State.

REASON: 1.4 (b), (d)

11. (C) Summary. During a June 10 lunch for visiting former EAP DAS Randy Schriver, participating Shanghai academics were cautiously optimistic on near-term cross-Straits rapprochement. Despite general agreement that economic cooperation between China and Taiwan was achievable, there was little consensus on next steps or on prospects for political progress. Fudan University's Shen Dingli presented some bold schemes for cross-Straits rapprochement, including greater international space for Taiwan and a slowdown in China's missile buildup. The academics viewed Wang Yi's appointment to the Taiwan Affairs Office as a positive sign. END SUMMARY.

12. (U) On June 10, the Consul General hosted a lunch for visiting former EAP DAS Randall Shriver and several prominent Shanghai academics. Our guests included: Shanghai Institute for American Studies (SIAS) Professor Ding Xinghao; Tongji University Professor Frank Peng; Director of Fudan University's Center for American Studies Shen Dingli; SIAS Vice President Ni Jianping.

U.S. PRESIDENTIAL ELECTION

13. (C) Not surprisingly, our Shanghai guests demonstrated a keen interest in the U.S. presidential campaign, particularly Senator Barack Obama's success in securing sufficient delegate support to become the presumptive Democratic Party nominee. Inquiring about Obama's prospects in the fall, Ding recalled an article that appeared after the Persian Gulf War, assessing Colin Powell's political future and questioning then whether the United States was ready for an African-American President. Peng characterized Obama's nomination as a significant event, and asserted that his election would "turn a new page" for world history, including for China.

14. (C) The academics expressed mixed views regarding whom China would prefer to see win the presidency. Shen, echoed by Ding, asserted that Beijing has no clear preference, although Senator John McCain's life story conveys an image of moral strength that commands respect in China. He also argued that Beijing generally favors Republican administrations. This, however, could change in the future. As China's economic growth continues, the Beijing leadership will become more capable of handling such bilateral irritants as intellectual property

rights (IPR) and human rights. China's military expenditures, meanwhile, are likely only to increase. Thus, a decade or more from now, China may be more comfortable with Democratic administrations and feel antagonistic towards views and policies, particularly on national security issues, more often espoused by Republican administrations.

TAIWAN PRESIDENTIAL ELECTION

15. (C) Referring again to Obama's nomination, Peng suggested the March 22 election of Kuomintang (KMT) President Ma Ying-jeou was a similarly historic event, in this the island's second transfer of power to the opposition party. It was no surprise to China, Peng argued, that Chen Shui-bian prevailed in Taiwan's election in 2000, given KMT unpopularity and waxing pro-independence sentiment. That Ma, despite his KMT affiliation, defeated his Democratic Progressive Party (DPP) opponent Frank Hsieh in an open and fair election and by a substantial margin is a remarkable result that Beijing must take note of. Shen followed this observation by noting that India, widely viewed within China as a less advanced developing nation, is also nevertheless capable of orchestrating successful democratic elections on a nationwide basis involving hundreds of millions of voters, even if the average education level is lower than in China. Both examples may someday present a challenge to Beijing.

CROSS-STRAIT ISSUES

16. (C) Asked whether China would seize the opportunity offered by the inauguration of the new Taiwan leadership to achieve real cross-strait progress, the Shanghai academics were guardedly optimistic. Ding acknowledged the improved atmospherics in the cross-strait relationship, and that agreements on direct flights and increased PRC tourism to Taiwan would be achievable this

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summer. More generally, however, moving forward at a gradual pace would be critical. Peng similarly characterized direct flights as a positive development, and noted that although cross-strait flights would fly through Hong Kong airspace, at least "the [flight path] curves are getting smaller." Still, progress beyond economic cooperation would be a tall order. Peng contended that as Taiwan and China interact more closely, questions of protocol and nomenclature -- for instance, whether Ma would be addressed as "Mr. Ma" or "Mr. President" during a hypothetical visit to the Mainland -- would be difficult to finesse and might complicate further progress. Peng pointed out that Taipei turned down Beijing's invitation to host a segment of the Olympic torch run, likely recognizing that scenario's potential for raising such thorny issues.

17. (C) Shen, meanwhile, advocated that both sides move toward a "notional one China," a supranational grouping in which the Mainland and Taiwan would each be considered a "local government." Under this arrangement, a two-year, largely figurehead presidency could alternate between Beijing and Taipei, while two vice presidents would retain actual control of their own "localities," respectively "Zhonghua Dalu" for the Mainland and "Zhonghua Taipei" for Taiwan. Establishing a joint bicameral legislative body, with representation in one of the two houses of delegates based on population (say, one delegate per one million residents) and representation in the second house of delegates having an equal number of Taiwan and Mainland representatives, might ensure the exchange of views without allowing one side to dominate the other. Ni expressed skepticism that such a plan was achievable, and asserted that improved cross-strait relations would require a generational change in thinking. Shen admitted this might be the case, but insisted he would continue to push his idea "every four years" (i.e., coinciding with the Taiwan presidential election cycle). Unification is not a realistic goal, Shen noted, and as things presently stand, "one country, two systems" is the most China can reasonably expect from Taiwan. Shen expressed disappointment that Beijing had not sent a congratulatory

message to Taipei on the successful conduct of elections nor sent a delegation to attend Ma Ying-jeou's inauguration. The electoral transition of governments in Taipei should be considered as a great success and honor for the Chinese people, Shen said, and Beijing's choice to not honor that event was a missed opportunity to build goodwill across the Strait.

FACE, SPACE, AND ARMS

18. (C) Looking ahead to longer-term PRC-Taiwan relations, Shen argued that Beijing must ultimately lend Ma credibility to ensure continued cross-Strait stability. During the Chen Shui-bian administration, China took a confrontational approach to relations with Taiwan, while the United States became more forceful in denying Taiwan's sovereignty. This resulted in a loss of face for the island. Beijing should want to see continued KMT administrations after Ma leaves office, and thus bears primary responsibility for giving Taiwan face now. One way to do so would be to grant the island international space -- perhaps a one time, "special exception" on WHO membership, on the condition Taipei not seek to exploit the gain diplomatically. Success over two-three years in a one-time special exception arrangement could then be repeated in other international organizations - even at the United Nations, though the Mainland would always retain China's seat on the UN Security Council. China could also consider greater transparency in defense-related acquisitions, confidence building measures (CBMs), and decreasing the rate of increase in its military expenditures. (Shen said that China still must plan for contingencies with Japan and Russia so an actual decrease in overall military expenditures is not feasible.) But all progress on international space issues would be contingent on the Ma Administration explicitly affirming that there is only one China.

19. (C) Peng expressed concern that cross-Strait momentum would be disrupted by the possible resumption of U.S. arms sales to Taiwan. Shen did not believe arms sales were imminent, but admitted a new administration or change in the perceived threat level could always result in a policy reversal. Turning to his own government's posture, Shen suggested a reduction in the number of missiles facing Taiwan.

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110. (C) Ding commented that the appointment of Vice Foreign Minister Wang Yi as head of the State Council's Taiwan Affairs Office was an important and hopeful development. While TAO officials have been willing to consider a truce in the struggle between Beijing and Taipei for diplomatic recognition, the Foreign Ministry has been less willing to consider or accept that possibility. Wang, coming from the Foreign Ministry, is familiar with the views and workings of the Ministry and may be able to work some progress on that front. China does face the sensitive issue of how to handle requests for establishment of diplomatic relations from those countries who now have diplomatic relations with Taipei but wish to switch to Beijing; Ding said Panama and Nicaragua are cases in point. A diplomatic truce may be a key step in moving forward in cross-Strait relations but what can or should China say to such suitors for diplomatic relations?

COMMENT

111. (C) While the Shanghai academics generally agreed that economic cooperation between China and Taiwan is possible in the short term, there was little consensus on next steps or on prospects for political progress. Shen Dingli's bolder ideas on cross-Strait progress, though regarded with some skepticism by his colleagues, reflect the range of creative thinking and flexibility among some Shanghai scholars on Taiwan.

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